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FINANCE

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*Summary of
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The Indochinese piaster is considerably overvalued at present because its exchange rate was not changed when the franc was devalued in 1949. Exchange rates, based on the Paris free-market franc, fix the piaster's official value at 20.58 to the US dollar. The black-market rate fluctuates between 40-45 to the dollar.

Ordinary governmental expenses are borne by the administration at Saigon; those of the current military campaign by the French treasury. Despite this and the fact that the Saigon government was able to collect 60 percent of its revenue from customs receipts there was a deficit of 241,000,000 piasters in 1949 which had to be financed from reserve funds. Some reduction in income was occasioned through the requirement that all excise taxes must go to the separate state administrations.

Of the 167 billion francs appropriated by the French for the military campaign, 90 billion (5.29 billion piasters) were spent in various ways in Indochina itself. The inflationary effect of the enormously increased purchasing power brought about by this expenditure of more money than had previously been in circulation was to some extent minimized through the withdrawal of new money in the form of export of capital

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French armed services, payments for French imports, conversion of profits from black
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market and smuggling operations, and ordinary flight of capital.

Attempts have been made to improve the situation and lessen the burden on the French treasury through strict control of exchange transactions, but authorities have been unwilling to make a serious attempt at restricting transfers from piasters to francs because of the dire economic and political effects that would result in Indochina.